

Message Text

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AMEMBASSY TOKYO

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TAGS: EGEN,EIND,ETRD,EC,JA

SUBJECT: EC JAPAN STEEL BILATERAL

REF: EC BRUSSELS 6299 (NOTAL)

1. SUMMARY: EC COMMISSION STEEL DIRECTOR PETRICK WILL GO TO TOKYO NEXT WEEK TO PREPARE FOR A NOVEMBER MEETING ON JAPANESE STEEL EXPORTS TO THE EC. IN ORDER TO HELP ITS WEAKENED STEEL INDUSTRY THE EC COMMISSION IS SEEKING VOLUNTARY EXPORT RESTRAINTS FROM JAPANESE STEEL PRODUCERS. END SUMMARY.

2. IN THE FACE OF A POSSIBLE RESURGENCE OF THE CRISIS WHICH RECENTLY BUFFETED THE EUROPEAN STEEL INDUSTRY, EC COMMISSION OFFICIALS WILL VISIT JAPAN THIS WEEK TO PREPARE FOR HIGH LEVEL TALKS ON JAPANESE STEEL EXPORTS TO THE COMMUNITY.

3. SENIOR EC COMMISSION STEEL OFFICIAL JOHANNES PETRICK WILL TRAVEL TO TOKYO ON OCTOBER 25 ON A "FACT-FINDING" MISSION TO PREPARE FOR THE SEMI-ANNUAL EC-JAPAN BILATERAL (CONTACT GROUP) ON NOVEMBER 15-16 IN BRUSSELS AT WHICH EC COMMISSIONERS ORTOLI AND GUNDELACH WILL PARTICIPATE ONE COMMISSION SOURCE HAS TOLD UNCLASSIFIED

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THE MISSION THAT THE CHAIRMAN OF THE FEDERATION OF JAPANESE

INDUSTRIES WILL COME TO BRUSSELS THEN ON BUSINESS RELATED TO THE BILATERALS). COMMISSION OFFICIALS EXPECT THAT STEEL WILL BE A PRIMARY AGENDA ITEM AT THAT MEETING. COMMISSION REPRESENTATIVES, UNDER GREAT PRESSURE FROM THE EC STEEL INDUSTRY, ARE TRYING TO OBTAIN A NEW AGREEMENT FROM THE JAPANESE FOR 1977. THEY SAY THE COMMISSION HAS NOT YET DECIDED WHETHER IT WILL SEEK AN EXTENSION OF THE PRESENT GENTLEMAN'S AGREEMENT INVOLVING THE SIX LARGEST JAPANESE IRON AND STEEL PRODUCERS OR WHETHER THEY WILL SEEK A MUCH TIGHTER PROMISE OF EXPORT RESTRAINT.

4. EC CONCERN OVER INCREASING JAPANESE EXPORTS INTO THE COMMUNITY HAS GROWN MARKEDLY IN RECENT WEEKS WITH PRESS REPORTS OF DECLINING EMPLOYMENT AND ORDERS IN THE INDUSTRY TOGETHER WITH REPORTS THAT IMPORTS NOW REPRESENT 10 PERCENT OF THE EC STEEL MARKET AS OPPOSED TO 5 PERCENT IN 1975.

5. IN ADDITION, JAPANESE STEEL EXPORTS HAVE MADE IMPORTANT INROADS IN NON-EC EUROPEAN MARKETS SUCH AS SWEDEN AND SWITZERLAND WHICH ARE IMPORTANT MARKETS FOR EC EXPORTERS.

6. EC PRODUCERS FEEL THAT THIS BEHAVIOR HAS VIOLATED THE GENTLEMAN'S AGREEMENT WHICH JAPAN MADE WITH THE EC LAST YEAR (REFTEL). ALTHOUGH THE JAPANESE HAVE MAINTAINED THAT MUCH OF THE INCREASE IN EXPORTS HAS COME FROM SMALLER JAPANESE COMPANIES THAT DID NOT PARTICIPATE IN THE AGREEMENT, EUROPEAN PRODUCERS INSIST THAT THE SIZE OF THE INCREASE IS TOO LARGE TO BE DUE TO THE SMALLER FIRMS. FOR EXAMPLE, THEY CLAIM SECOND QUARTER JAPANESE EXPORTS TO THE EC WERE 415,000 TONS WHILE THE AGREEMENT SUPPOSEDLY ONLY ALLOWED 250,000 TONS. AT THE SAME TIME JAPANESE EXPORTS ARE REPORTEDLY ALSO MAKING INROADS INTO THE COMMUNITY'S MARGINAL MARKETS (AUSTRALIA, FINLAND, ETC.).

7. JAPANESE INROADS INTO THE EC MARKET COME AT A UNCLASSIFIED

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PARTICULARLY BAD TIME FOR EC PRODUCERS. THE SLIGHT OPTIMISM WHICH EXISTED IN JULY HAS FADED AS ECONOMIC RECOVERY PROVES ELUSIVE. IN ADDITION, NEW EXPORTERS SUCH AS AUSTRALIA AND FINLAND ARE ALSO MAKING GAINS IN THE MARKET AND SPANISH PRODUCERS, ACCORDING TO EC OFFICIALS, ARE "DUMPING" THEIR STEEL ON THE EC MARKET.
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